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INTRODUCTION

The Office of Internal Audit performed an audit of St. Clair County FIA for the period October 1, 2002 through January 16, 2004. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. St. Clair County FIA had 129 full time equated positions (FTE's) at the time of our review. St. Clair County FIA provided assistance to average 11,155 customers per month during FY 2002, with total assistance payments of \$14,747,003.81 during that year.

SCOPE

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at St. Clair County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts

Cash Disbursements

State Emergency Relief

Safe and Controlled Documents

Client Processing

General Ledger

Balance Sheet

Employment Support Services

CIMS/ASSIST Security

Payroll and Timekeeping

Procurement Card

IRS Information Security

Child Protective Services

EXECUTIVE SUMMARY

Based on our audit, we concluded that St. Clair County FIA's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found that controls were adequate throughout St. Clair County FIA for Direct Supportive Services, Cash Receipts and Procurement Card Usage. However, we found several instances of noncompliance with FIA policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

LOCAL OFFICE RESPONSE

The management of St. Clair County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated February 20 that they are in general agreement with the report, with the exception of findings # 13 and 16. For # 13 they stated that the SER Policy Manual material issued January 1, 2004 confirmed an e-mail that was issued November 6, 2003 stating that a copy of a bill is acceptable documentation for SER payments. For finding #16, St. Clair County FIA indicated that ASSIST does not meet their operational or customer needs.

FINDINGS AND RECOMMENDATIONS **Modified Accrual Basis Balance Sheet**

Accounts Receivable Due from State

1. St. Clair County FIA did not reconcile the Accounts Receivable Due from State Accounts listed on the Balance Sheet to the detail for 4 of the pending files. Accounting Manual Item 402-3 requires a monthly reconciliation of accounts receivable due from State to be performed by comparing the General Ledger balance for each 078 account to the total of the documents in the respective Outstanding Accounts Receivable file. The latest month's reconciliation must be retained on file.

Reconciling the Due from State account to the detail ensures that the account balances are correct and all transactions are accounted for.

WE RECOMMEND that St. Clair County FIA reconcile the Accounts Receivable Due from State Accounts.

General Ledger

Cash with County Treasurer not Reconciled

2. The St. Clair County FIA Reconciliation of Cash With County Treasurer (FIA-3710) is not reconciled up to date as required by Accounting Manual Item 402.1. Reconciling the cash account with the County Treasurer on a monthly basis will ensure that the amount in the social welfare fund is correct.

WE RECOMMEND that St. Clair County FIA reconcile the cash account with the County Treasurer.

Safe and Controlled Documents

Items Not Controlled

3. St. Clair County FIA did not properly control the Bus Tokens that were on hand. Accounting Manual Item 403 states that a Controlled Document Log (FIA-4070) must be maintained on an ongoing basis for all controlled items. St. Clair County FIA used an issuance log to record the number and recipient for each bus token issued. Inventory of the controlled items reduces the risk of improper use.

WE RECOMMEND that St. Clair County FIA inventory all controlled items.

ObsoletePurchase Orders

4. St. Clair County FIA had obsolete Purchase Order/Invoices (FIA-2083) on hand. Accounting Manual Item 403 gives instructions for the destruction of obsolete forms. Keeping obsolete forms on hand and not controlling them increases the risk of these forms being used inappropriately.

WE RECOMMEND that St. Clair County FIA destroy the obsolete Purchase Order/Invoices (FIA-2083) in accordance with the instructions in Accounting Manual Item 403.

CIMS/ASSIST/LASR Security

ASSIST Enrollment Profiles

5. St. Clair County FIA did not have accurate, up-to-date ASSIST Enrollment Profiles (FIA-3720) on file for all employees who access ASSIST, as required by L-Letter 97-156. Eight of the 130 employees did not have an ASSIST Enrollment Profile on file, and three had different job types on the Enrollment Profile than what was showing on the VB9-554 report.

WE RECOMMEND that St. Clair County FIA ensure that accurate, up-to-date Enrollment Profiles (FIA-3720's) are on file for all employees who have access to ASSIST.

NOTE: Corrective action taken while auditor was on site

Security Officer's Log Report (PD-180), (VB9-173)

6. St. Clair County FIA did not reconcile the CIMS Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A's), or the ASSIST Security Officer's

Log Report (VB9-173) to the ASSIST Enrollment Profiles, as recommended by the Primary Internal Control Criteria for Local/District Office Operations. Reconciliation of these reports ensures that all changes made are accurate and approved by supervision.

WE RECOMMEND that St. Clair County FIA reconcile the PD-180 and VB9-173 reports to revised Security Agreements and Enrollment Profiles.

VB9-554 Report

7. St. Clair County FIA did not reconcile the ASSIST User Report (VB9-554) to the ASSIST Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721), as required by L-Letter L-97-156. This reconciliation is necessary to ensure that all employees who have access to ASSIST are properly authorized for their assigned job types.

WE RECOMMEND that St. Clair County FIA reconcile the VB9-554 report.

Improper CIMS Status for Fiscal Staff

8. St. Clair County FIA had assigned Client Information Management System (CIMS) status levels that were inconsistent with staff job responsibility. The fiscal clerk had been assigned “FLM” status on CIMS. Internal Control Criteria page 65 states that fiscal staff should be assigned only inquiry status on CIMS and should not have file maintenance capability on CIMS, or registration capability in ASSIST. Assigning fiscal staff FLM status would allow them to open and change cases and process payments to those same cases.

WE RECOMMEND St. Clair County FIA change the fiscal staff to INQ status.

ASSIST Job Types

9. St. Clair County FIA had one FIM (Family Independence Manager) and 3 clerks who had registration and file maintenance capabilities on ASSIST. This combination of Job Types would allow the FIM and the clerks to register a case, and do file maintenance on that case. Internal Control Criteria page 13 states that no one person should have 240/270/280 and 360 or 370 job types. Assigning staff ASSIST job types that allow them to register and open cases on ASSIST does not allow for the proper separation of duties.

WE RECOMMEND that St. Clair County FIA assign the FIM and the three clerks Job Types that do not allow them to register and perform file maintenance on ASSIST.

LASR Security Access Request

10. St. Clair County FIA did not have LASR Security Access Requests (LR-84) on file for 5 employees listed on the User Responsibilities by County Report (LR-890), as required by L Letter L-02-088. Maintaining updated LASR Security Access Requests will ensure that all employees with LASR access are appropriate.

WE RECOMMEND that St. Clair County FIA keep up-to-date LASR Security Access Requests on file for all active employees.

NOTE: Corrective action taken while auditor was on site.

Payroll and Timekeeping

Reconciliation of HR-332A (B) Turnaround Report

11. St. Clair County FIA did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the St. Clair County FIA reconcile the turnaround HR-332A report to the original HR-332A report.

NOTE: Corrective action taken while auditor was on-site.

Supervisor's Approval of Time and Attendance Reports

12. St. Clair County FIA employees did not always properly complete the Time and Attendance Reports (FIA-4299). For one pay period we reviewed, two FIA-4299's were not signed by the supervisor and one FIA-4299 was not signed by either the employee or the supervisor. The Primary Internal Control Criteria for Local/District Office Operations recommends that the employee accurately complete a biweekly time report (FIA-4299), and that the supervisor approve the employee time and attendance reports, attesting to the accuracy of all reported time.

WE RECOMMEND that the St. Clair County FIA have all employees and their supervisors sign the biweekly time report, FIA-4299.

State Emergency Relief

Supporting Documentation for Payments

13. St. Clair County FIA did not follow the established procedures for State Emergency Relief (SER) payments submitted to the Fiscal Office for reconciliation with the FIA-849, 93(A) Issuance Report (ES-440). Seventy-seven of 98 payments reviewed were supported with a copy of the bill, rather than the original. Accounting Manual Item 404 requires that the original vendor invoice/bill be attached to the Accounting Office copy. Attaching the original invoice/bill for the amount to be paid to the Fiscal Office copy of the FIA-849 helps prevent duplicate payments and helps to ensure that payments are accurate and appropriate.

WE RECOMMEND St. Clair County FIA attach the original invoice/bill to the Fiscal Office copy of the Authorization Invoice (FIA-849) that is used for reconciliation purposes.

Cash Disbursements

Signature Card at the Bank

14. St. Clair County FIA included the fiscal supervisor as an authorized employee to sign checks on the signature card on file with the bank. The fiscal supervisor also had access to the blank checks. Accounting Manual Item 410.1 states that for internal control purposes the person signing checks must not have access to the supply of blank checks. Having an independent person sign checks will reduce the risk of improper use.

WE RECOMMEND that St. Clair County FIA remove the fiscal supervisor's name from the signature card on file at the bank.

Filing of “VOIDED” Checks

15. St. Clair County FIA did not file the voided checks with the canceled checks as required by Accounting Manual Item 410. Instead the voided checks were filed with the bank reconciliation. Filing the voided checks with the canceled checks helps to ensure that all checks are accounted for.

WE RECOMMEND that St. Clair County FIA file voided checks with the canceled checks.

Customer Processing

Assignment of Applications to FIS and ES Specialists

16. St. Clair County FIA did not use the ASSIST system to assign new customers to Family Independence or Eligibility Specialists. Rather, the local office used a manual worker rotation log to assign new customers to workers. The Family Independence Manager (FIM) overrode the ASSIST assignments using the Block Reassignment Transfer (BLASTR) transaction on ASSIST. ASSIST User Manual Item 300 details the procedures to be used for case assignment using ASSIST. Use of the manual worker rotation log instead of the case assignment function in ASSIST is an inefficient use of FIA resources.

WE RECOMMEND St. Clair County FIA have the ASSIST assigned FIS or ES process the application.

Childrens Protective Services

Missing CPS Safety Assessment (FIA-1016)

17. St. Clair County FIA did not prepare a Childrens’ Protective Services Safety Assessment (FIA-1016) for one out of 21 cases reviewed. The FIA-1016 is used to

evaluate the risk to a child at the time the worker makes contact. Childrens Protective Services Manual CFP-712-8 states that the service packet is to contain the FIA-1016, Initial Safety Assessment. Preparing the required forms will help to ensure the child at risk is being evaluated and proper services are provided.

WE RECOMMEND St. Clair County FIA complete the FIA-1016 for all children serviced.